



Statement by
Shirley Bloomfield, VP Government Affairs and Association Services
National Telecommunications Cooperative Association

On behalf of the
Coalition to Keep America Connected

Before the
U.S. House of Representatives
Congressional Rural Caucus

Good afternoon. I am Shirley Bloomfield, Vice President of Government Affairs and Association Services for the National Telecommunications Cooperative Association. I am here today to testify on behalf of the Coalition to Keep America Connected. We thank you for the opportunity to testify before you today.

The Coalition to Keep America Connected effort is organized by The Independent Telephone & Telecommunications Alliance, the National Telecommunications Cooperative Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies and the Western Telecommunications Alliance, whose memberships include more than 700 small and midsize communications companies. Together these companies serve millions of consumers and 40% of the landmass across America.

Our Mission is dedicated to ensuring that all consumers have access to affordable telecommunications services and the latest technologies - no matter where they live. We are guided by three main principles. They are: Fairness, Affordability and Access. Fairness means that urban, suburban and rural consumers alike deserve to stay connected to their families, friends and the world through communications technologies. Affordability means that technology is only useful when it's affordable to consumers. Congress must ensure that all Americans can receive communications technologies at affordable prices. Lastly, access means that every American should have access to the latest, modern technologies, no matter where they live.

Universal Service has remained the cornerstone of our nation's telecommunications policy for more than six decades, ensuring that we enjoy the benefits of a nationwide integrated communications network. The Universal Service Fund is an essential element to ensure the fairness, affordability and access I just described. In addition, the nation's economic and national security insists that this policy be preserved.

Today, the program emphasizes an assurance that necessary cost recovery is available to those that make the commitment to serve the nation's most economically challenging markets. Policymakers must understand that this is the key to building the nationwide network that has guaranteed all Americans the ability to enjoy an unprecedented era of access to information.

The Coalition has developed several universal service principles that we believe must be incorporated into universal service legislation. Those priorities are:

- The universal service fund must continue to be an industry-funded mechanism, and neither supported through general tax revenues nor subjected to the federal Anti-Deficiency Act.
- The base of contributors must be expanded to include all providers utilizing the underlying infrastructure, including but not limited to all providers of 2-way communications regardless of technology used.

- Support shall be made available for the cost recovery needs of carriers deploying broadband capable infrastructure.
- The contribution methodology must be assessed on all revenues or a revenues hybrid that ensures equitable and nondiscriminatory participation.
- The regulatory authority to modify the scope of contribution obligations as technology evolves must be clarified and strengthened.
- Support must be used to construct, support, and maintain networks to benefit all consumers and must not be voucher, auction, or block grant based.
- Support must be based upon a provider's actual cost of service.
- Support must not be used to artificially incite competition.
- The rural and non-rural fund distinctions must be maintained

The Coalition is very pleased that Congressmen Lee Terry and Rick Boucher together with their staffs have taken such a leadership role through their draft legislation in working to ensure the vital policy of universal service remains solvent and forward looking. The Terry/Boucher draft bill contains many provisions recommended by the Coalition that would continue and expand upon the highly successful universal service program. The last draft we reviewed appeared to have two goals: spur deployment of broadband services and control growth in the fund.

To this end, the bill would expand the universal service program to cover deployment of broadband networks. I don't think anyone would dispute the growing importance of broadband. Broadband is an integral part of the commercial, economic and social viability of any community. A community that lacks access to broadband and advanced services will not thrive and may not even survive. It is simply that important.

While there are concerns that adding broadband to the universal service program will cause the size of the fund to increase, the bill takes several steps to limit potential growth. We believe several of the cost saving provisions in the bill will be extremely effective and may offset much of the additional cost of covering broadband. In particular, the Coalition supports expansion of the pool of providers and services that pay into the fund. The bill would require all providers that use telephone numbers, IP addresses or offer a network connection for a fee to the public to contribute to the fund. This is long overdue. Changes in technology have created loopholes that have allowed many new providers to evade contributing into the fund even though they benefit from the resulting network upgrades and investment.

Second, the Coalition supports the provision to eliminate the identical support rule. Requiring all universal service fund recipients to receive support based on their own costs will increase program accountability as well as reduce demand for funds. Currently, a

competitive carrier entering an ILEC territory receives support based on the incumbents cost. In many cases for instance if the competitive carrier is a wireless provider, the competitor may receive support well above its actual cost of service. Requiring each universal service recipient to document its cost will greatly improve program accountability and ensure that funds are being used for their intended purpose.

Third, the bill would implement stricter ETC designation requirements, such as demonstrating the ability to remain functional in emergency situations, satisfying customer service quality standards, offering local usage comparable to other communications service providers in that service territory and meeting the newly required broadband speed requirements. While rural carriers support competition in areas that can support it, universal service should not be used to artificially incite competition in areas it would otherwise not occur. Tightening of the ETC requirements will help ensure that universal service monies support the intended goal of guaranteeing all Americans have access to comparable services at rates comparable to those in urban areas.

The Coalition however, does not support provisions contained in the Terry/Boucher draft bill that would cap the universal service fund. A cap by its very nature means a carrier will not receive the support it is due and thus is antithetical to the very goal of universal service and is a disincentive to network investment. We believe the provisions discussed here go a long way towards meeting Congressmen Terry and Boucher's goal of limiting growth in the universal service fund and make the proposed caps unnecessary. The vast majority of growth in universal service is due to competitive ETCs. Universal service support to competitive ETCs grew by over 115% in the last year. During this same period ILEC support grew by only 0.6%¹. We appreciate Congressmen Terry and Boucher understanding our concerns with this provision and their willingness to take another look and work with us in finding a fair and logical solution.

We applaud Representatives Terry and Boucher for their leadership on telecommunications, and particularly rural telecommunications issues. We also thank the Congressional Rural Caucus for bringing together this forum and exploring these issues vital to rural communities nationwide. The Coalition to Keep America Connected stands ready and committed to working with Representatives Terry, Boucher, the Energy and Commerce Committee and the Congressional Rural Caucus on these issues. Thank you.

¹ Wireless Communications and Universal Service by Bob Rowe, Senior Partner, Balhoff & Rowe, LLC @ Columbia Institute for Tele-Information. Slide 12.